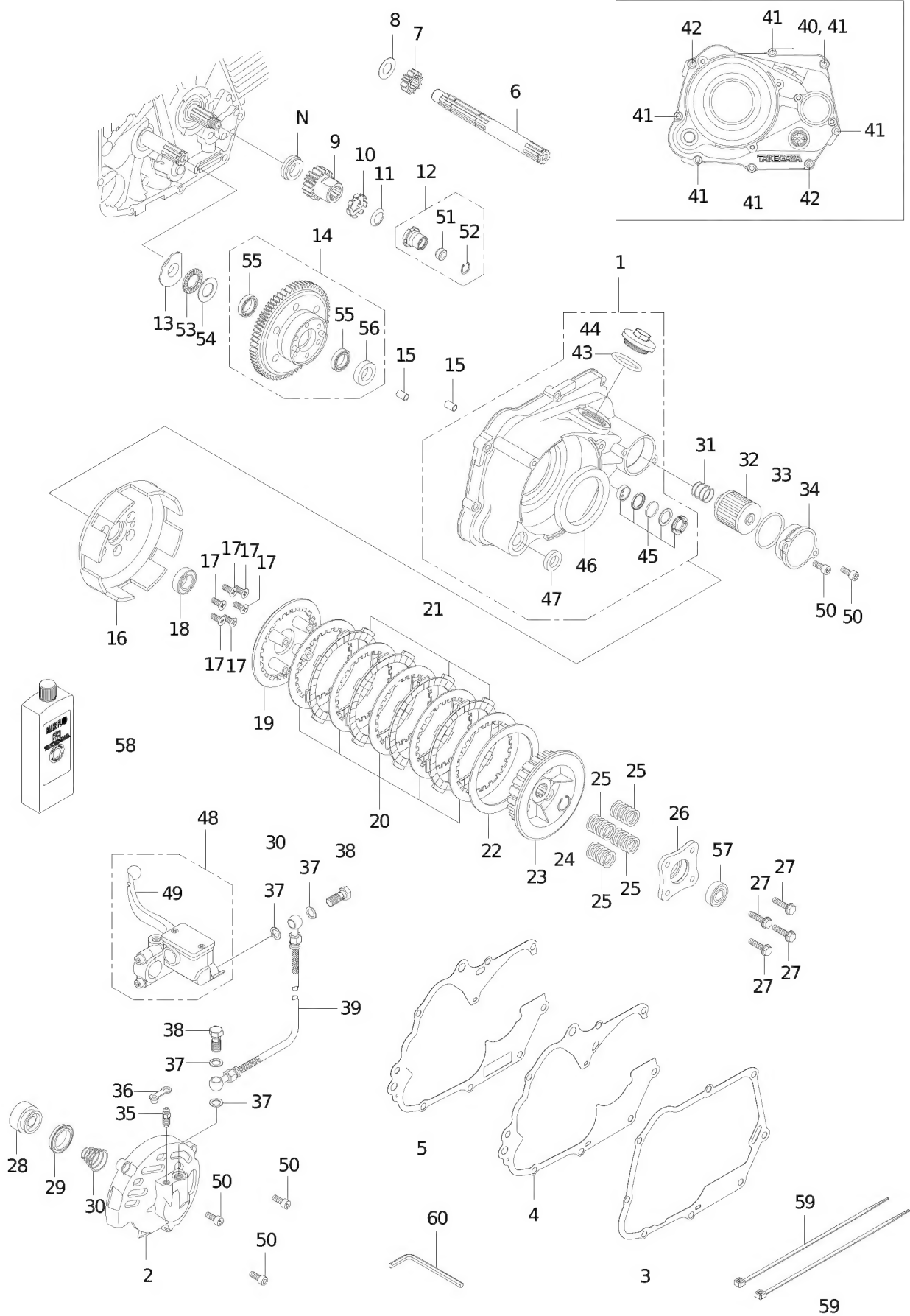




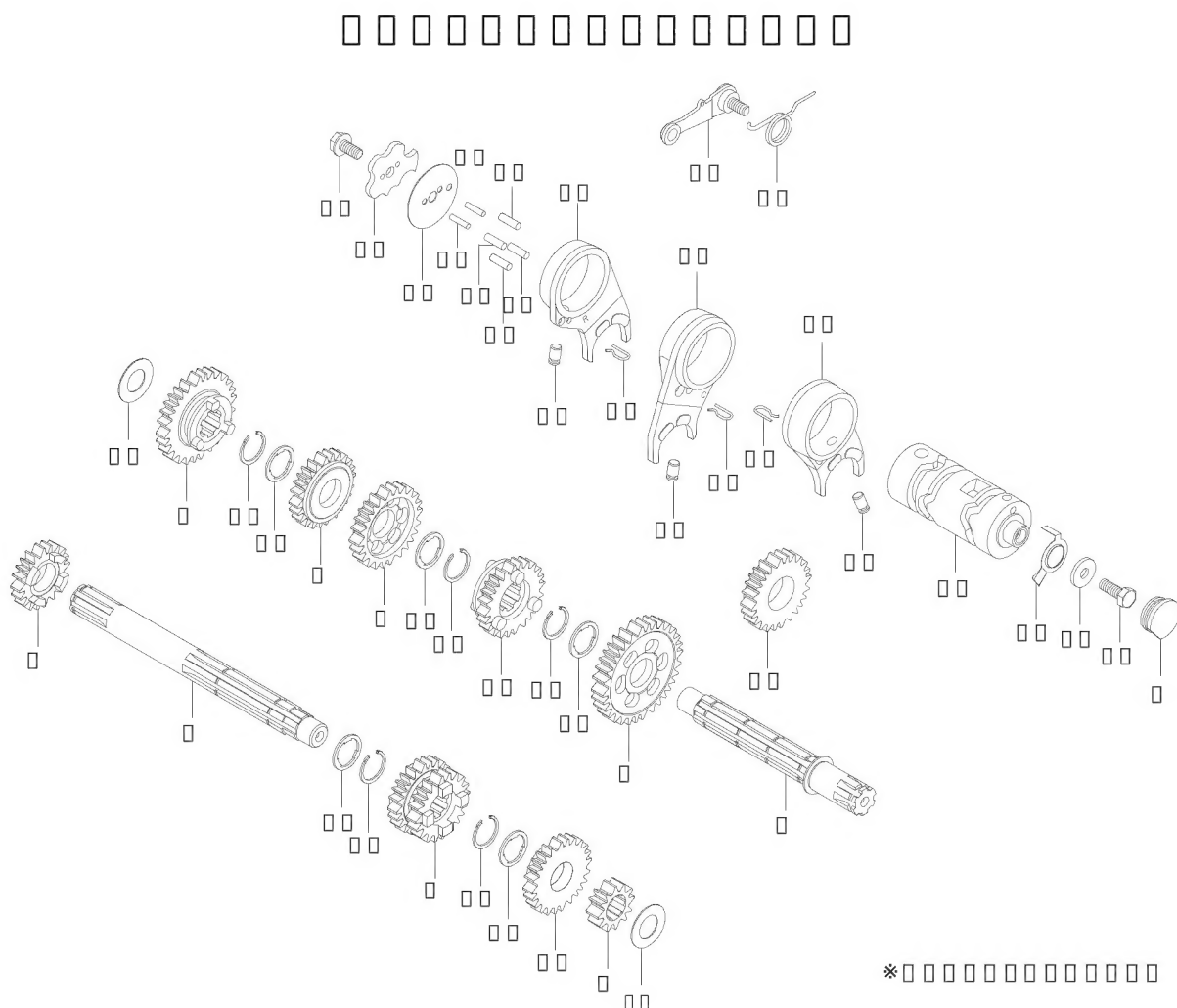
[illegible][illegible][illegible]

□ □ □ □ □ □ □ □ □ □

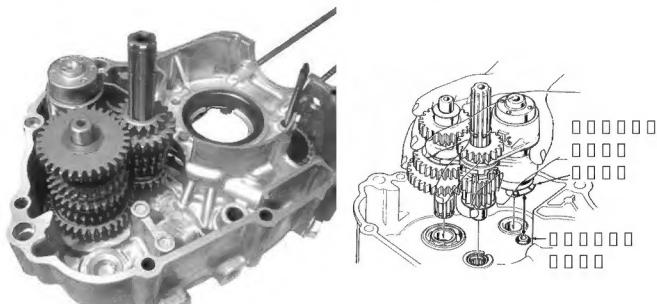
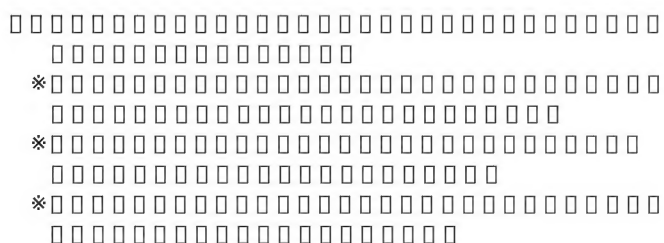
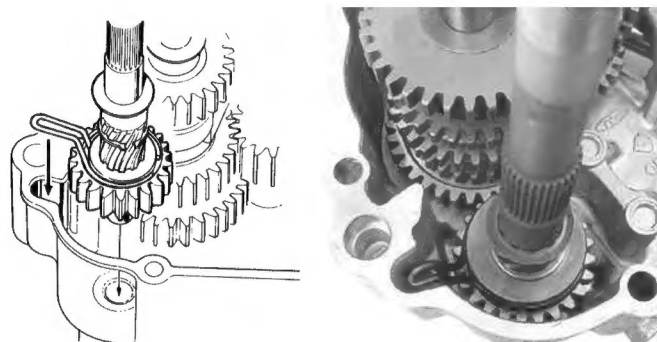


\* □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □





## Jul . / 29 / ' 08

[illegible][illegible][illegible]

**QUESTION**

A company has been asked to bid for a contract to build a new bridge over a river. The company has estimated the cost of building the bridge at \$10 million. The company also estimates that it will receive a profit of \$2 million if it wins the contract. The probability of winning the contract is 0.6.

The company is considering whether to bid for the contract. If the company bids, it will have to pay the cost of building the bridge regardless of whether it wins or loses the contract. If the company does not bid, it will not incur any costs and will not receive any revenue.

What is the expected value of bidding for the contract?

**ANSWER**

The expected value of bidding for the contract is calculated as follows:

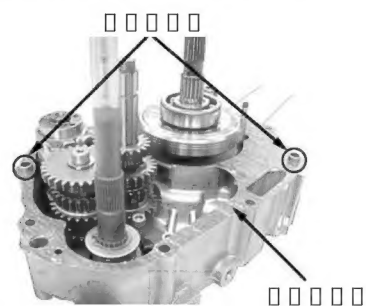
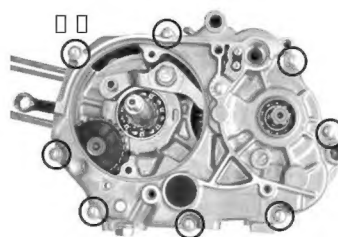
Expected Value = (Probability of Winning) \* (Profit) - (Cost)

Expected Value = (0.6) \* (\$2 million) - (\$10 million)

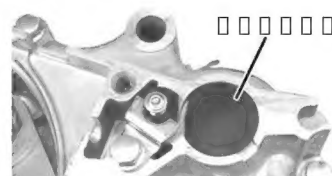
Expected Value = \$1.2 million - \$10 million

Expected Value = -\$8.8 million

The expected value of bidding for the contract is negative, which means that the company would expect to lose money by bidding for the contract. Therefore, the company should not bid for the contract.

[illegible][illegible]

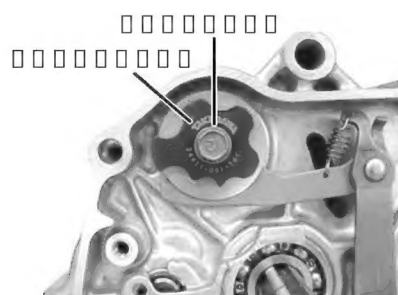
□ □ □ □ □ □ □ □ □ □ □ □ □ □



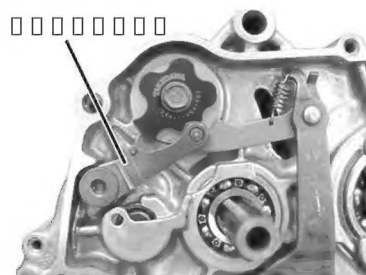
✱ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □

[illegible]


□ □ □ □ □ □ □

[illegible]

\* □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □



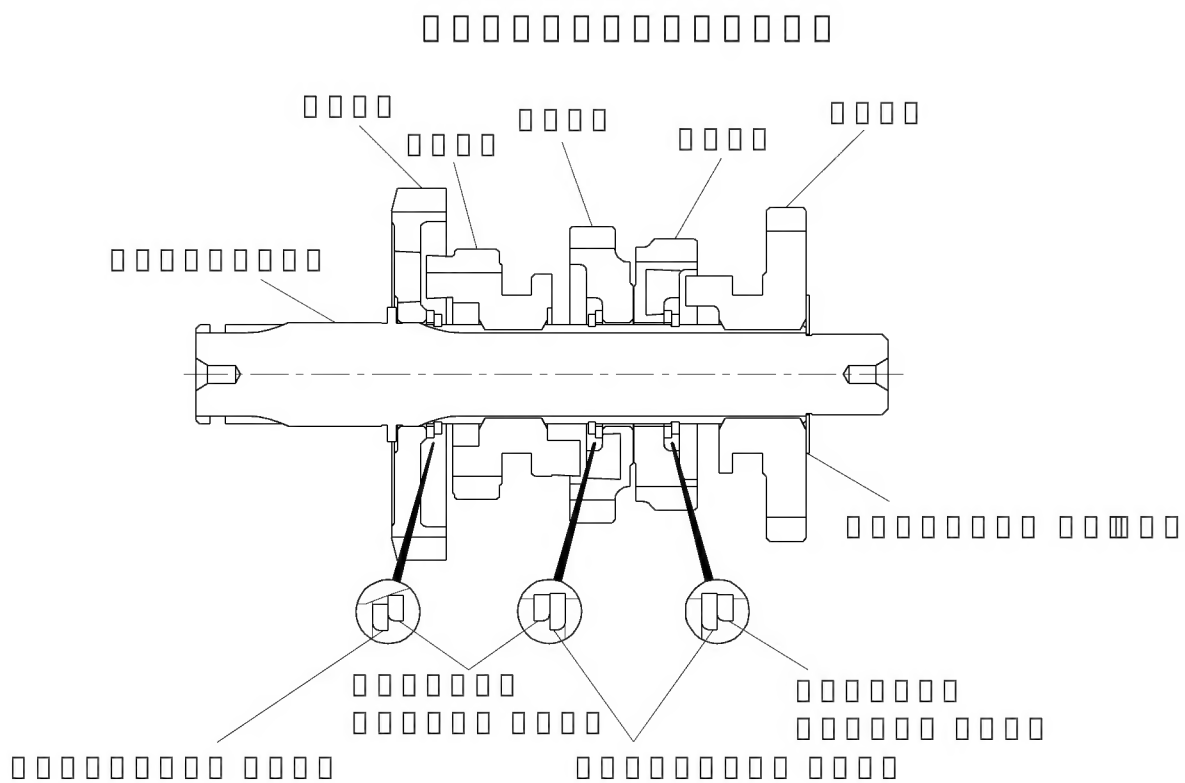
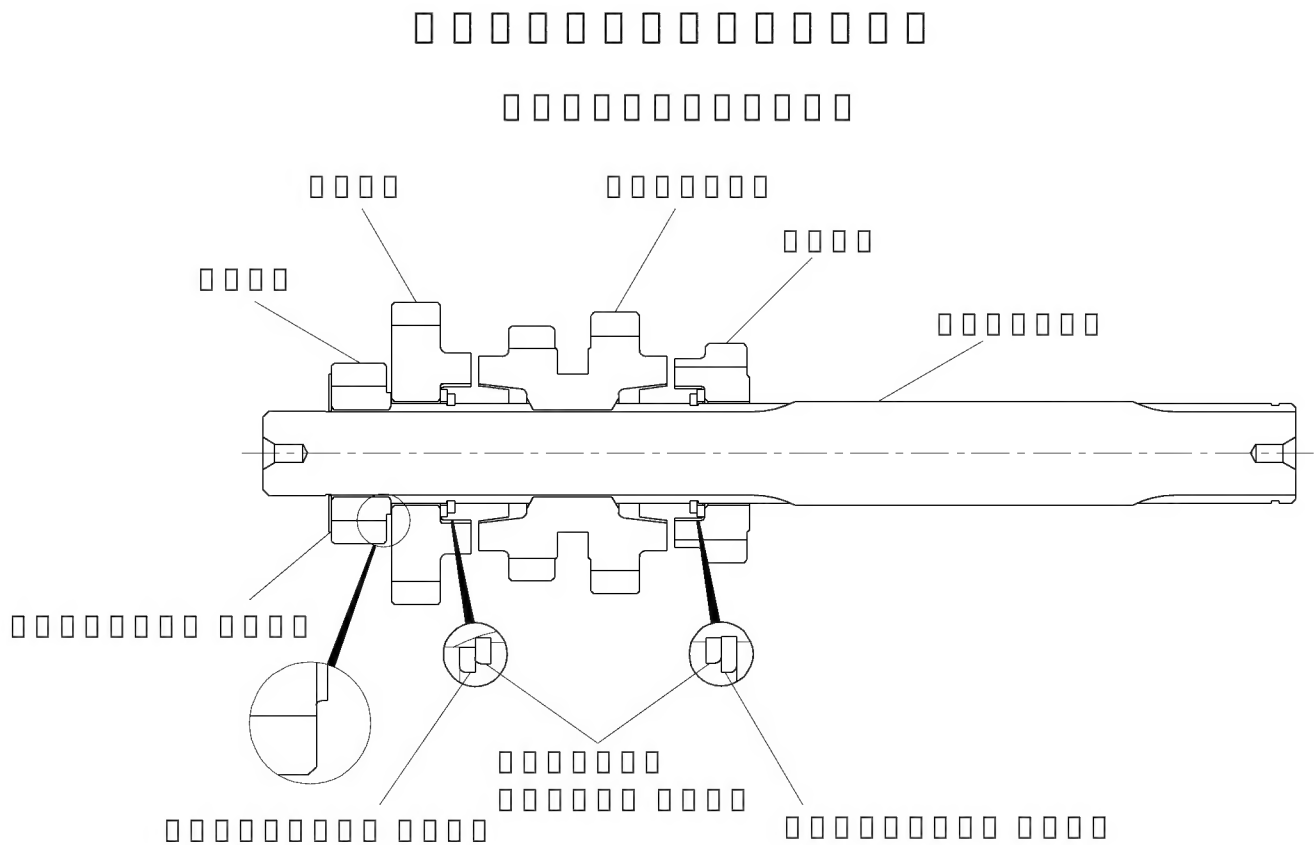
✱ □

© 









株式会社 **SPECIAL PARTS** 武川

0000-0000 0000000000000000  
TEL 0000-00-0000 FAX 0000-00-0000  
000000000000 0000-00-0000  
URL <http://www.takegawa.co.jp>